

Message Text

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ACTION OPIC-12

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 2683

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E.O. 11652: N/A

TAGS: EINV, TW

SUBJECT: OPIC INSURANCE

REF: STATE 172915

1. BEGIN SUMMARY: EMBASSY COMMENTS ON TWO PENDING OPIC CASES, CONTINENTAL BANK AND CORNING GLASS. (PACIFIC GLASS CORPORATION). ALSO POINTS OUT GROC DOES NOT GIVE FGA FOR OPIC INSURANCE AUTOMATICALLY WHEN APPROVING INVESTMENT PROJECTS. END SUMMARY.

2. OPIC OFFICER BURTON BOSTWICK AND EMBOFF DISCUSSED CASE WITH CONTINENTAL BANK BRANCH MANAGER SAM WANG AND LEARNED AT LEAST SOME OFFFUNDS IF NOT MOST WOULD BE BORROWED IN EURO DOLLAR OR ASIA DOLLAR MARKET. BOSTWICK WILL REPORT IN MORE DETAIL UPON RETURN TO WASHINGTON. PENDING CLARIFICATION SITUATION WITH CONTINENTAL HEAD OFFICE, WAND HAS DECIDED HOLD UP APPLICATION TO GROC. HE AND HIS LAWYER FEEL GROC WOULD NOT APPROVE SUCH INSURANCE, AND THERE IS NO PRECEDENT FOR IT. EMBASSY WILLING TAKE MATTER UP WITH GROC IF OPIC AND CONTINENTAL DECIDE TO PROCEED. PLEASE ADVISE.

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3. C. C. HU, EXECUTIVE SECRETARY TO FOREIGN INVESTMENT COMMISSION (FIC), MINISTRY OF ECONOMIC AFFAIRS, INFORMED EMBASSY THAT HE DOES NOT REMEMBER THE CASE OF PACIFIC GLASS CORPORATION BUT HE SAID THAT THE GENERAL PRINCIPLE OF DENIAL OF APPLICATION FOR EXTENSION OF LOAN INVESTMENT REPAYMENT TERMS LAST YEAR STEMMED FROM BALANCE OF PAYMENTS CONSIDERATION THEN CHARACTERIZED BY RAPID ACCUMULATION OF FOREIGN RESERVE ASSETS WHICH WAS INFLATIONARY AND THAT IN VIEW OF ENTIRELY DIFFERENT CURRENT SITUATION, SUCH APPLICATION FOR EXTENSION OF LOAN REPAYMENT TERMS WILL PROBABLY BE APPROVED. HU DENIED THAT THE GROC'S STANDING POLICY FAVORS SHORT TERM PARENT/SUBSIDIARY LOANS - NO MORE THAN THREE YEARS. HU FINALLY MENTIONED THAT IN CASE OF APPROVAL OF RESCHEDULING REPAYMENT TERMS FOR AN EXISTING LOAN, AN AMENDED FGA SHALL SUFFICE WHILE FOR ARRANGEMENT OF A NEW LOAN CARRYING LONGER REPAYMENT TERMS FOR REFUNDING OLD LOAN, A NEW FGA IS REQUIRED.

EMBASSY WAS INFORMED BY REPRESENTATIVE OF PACIFIC GLASS CORPORATION THAT IT SECURED IN MAY FIC'S APPROVAL OF NEW LOAN OF APPROXIMATELY US\$2.1 MILLION FROM CORNING TO BE USED ONLY FOR REPAYMENT OF OLD LOAN PRINCIPAL AND PAYMENT OF ROYALTY. TO-DATE PACIFIC GLASS HAS NOT AS RECEIVED REMITTANCE. EMBASSY HAS SUGGESTED LOCAL FIRM PROCEED WITH APPLICATION FOR NEW FGA.

4. HU SYAS THAT FIC PREPARES AND SUBMITS FGA TO THIS EMBASSY ONLY AT REQUEST OF A US INVESTED LOCAL FIRM PRESUMABLY FOR USE IN PARENT COMPANY'S APPLICATION FOR OPIC INSURANCE. IT IS INDEPENDENT FROM GROC'S APPROVAL OF FOREIGN INVESTMENT APPLICATION. EMBASSY SHARES FIC'S OBSERVATION THAT MORE FGA HAVE RECENTLY BEEN ISSUED WITHOUT COMPLEMENTARY PRELIMINARY AND FORMAL APPLICATIONS FILED WITH OPIC. THIS IS PROBABLY DUE TO LACK OF COORDINATION BETWEEN PARENT AND SUBSIDIARY COMPANIES AND POSSIBLY TO FACT THAT SOME LOCAL SUBSIDIARIES DO NOT KNOW THAT FGA IS NOT REQUIRED IF OPIC INSURANCE IS NOT SOUGHT BY THEIR PARENT COMPANIES.

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